9110-04-P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

46 CFR Part 401

[Docket No. USCG-2014-0481]

RIN 1625-AC22

Great Lakes Pilotage Rates - 2015 Annual Review and Adjustment

AGENCY: Coast Guard, DHS.

ACTION: Final rule; change in effective date.

SUMMARY: The Coast Guard is advancing the effective date for the 2015 final rule which published on February 26, 2015, adjusting rates for pilotage services on the Great Lakes in accordance with a full ratemaking procedure. The rate adjustments made by the February 2015 final rule are unchanged, but instead of taking effect on August 1, 2015, the rates will take effect [INSERT DATE 7 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]. This rulemaking rule promotes the Coast Guard's strategic goal of maritime safety.

DATES: The effective date for the final rule published February 26, 2015 (80 FR 10365), is changed from August 1, 2015, to [INSERT DATE 7 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: If you have questions on this rule, call or e-mail Mr. Todd Haviland, Director, Great Lakes Pilotage, Commandant (CG-WWM-2), Coast Guard; telephone 202-372-2037, e-mail Todd.A.Haviland@uscg.mil, or fax 202-372-1914.

SUPPLEMENTARY INFORMATION:

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I. Abbreviations

CFR Code of Federal Regulations

E.O. Executive Order FR Federal Register

MISLE Marine Information for Safety and Law Enforcement NAICS North American Industry Classification System

NPRM Notice of proposed rulemaking
OMB Office of Management and Budget

§ Section symbolU.S.C. United States Code

II. Regulatory History

On September 4, 2014, we published a notice of proposed rulemaking (NPRM) titled "Great Lakes Pilotage Rates—2015 Annual Review and Adjustment" in the Federal

Register.¹ On December 1, 2014, we published revenue audits of the pilot associations and reopened the public comment period in the <u>Federal Register.</u>² On February 26, 2015, we published a final rule entitled "Great Lakes Pilotage Rates--2015 Annual Review and Adjustment."³

III. Background

The vessels affected by this rulemaking are those engaged in foreign trade upon the U.S. waters of the Great Lakes. United States and Canadian "lakers," which account for most commercial shipping on the Great Lakes, are not affected. For further background information, please see the February 26, 2015 final rule at 80 FR 10365 at 10366. For further information summarizing the February final rule, see pages 10368 through 10383 of that document.

The basis of this rule is the Great Lakes Pilotage Act of 1960 ("the Act") (46 U.S.C. Chapter 93), which requires U.S. vessels operating "on register" and foreign vessels to use U.S. or Canadian registered pilots while transiting the U.S. waters of the St. Lawrence Seaway and the Great Lakes system. The Act requires the Secretary to "prescribe by regulation rates and charges for pilotage services, giving consideration to the public interest and the costs of providing the services. Rates must be established or reviewed and adjusted each year, not later than March 1. Base rates must be established by a full ratemaking at least once every 5 years, and in years when base rates are not established, they must be reviewed and, if necessary, adjusted. The Secretary's duties and authority under the Act have been delegated to the Coast Guard. Coast Guard

¹ 79 FR 52602(Sept. 4, 2014).

² 79 FR 71082 (Dec. 1, 2014).

³ 80 FR 10365 (Feb. 26, 2015).

⁴A "laker" is a commercial cargo vessel especially designed for and generally limited to use on the Great Lakes

⁵ 46 U.S.C. 9302.

regulations implementing the Act appear in parts 401 through 404 of Title 46, Code of Federal Regulations (CFR). Procedures for use in establishing base rates appear in 46 CFR part 404, appendix A, and procedures for annual review and adjustment of existing base rates appear in 46 CFR part 404, appendix C.

This final rule advances the effective date of the 2015 final rule published on February 26, 2015, which established new base pilotage rates, using the methodology found in 46 CFR part 404, appendix A.

2014 Litigation. IV.

The Coast Guard published its "Great Lakes Pilotage Rates—2014 Annual Review and Adjustment" final rule on March 4, 2014. Rates set in that rule took effect on August 1, 2014, and have remained in effect since then. 11 Shortly after publication, the three Great Lakes pilot associations filed suit¹² under the Administrative Procedure Act (APA), ¹³ challenging the manner in which the Coast Guard applied American Maritime Officers Union wage and benefit data. Under the Coast Guard ratemaking methodology, that data significantly affects rate adjustments. On March 27, 2015, the court issued a memorandum opinion holding that the Coast Guard had not properly applied the union data, and was therefore arbitrary and capricious in setting the 2014 rates, which consequently were set lower than they should have been. The court ordered the parties to

⁶"On register" means that the vessel's certificate of documentation has been endorsed with a registry endorsement, and therefore, may be employed in foreign trade or trade with Guam, American Samoa, Wake, Midway, or Kingman Reef. 46 U.S.C. 12105, 46 CFR 67.17.

⁷ 46 U.S.C. 9302(a)(1).

⁸ 46 U.S.C. 9303(f).

¹⁰ Department of Homeland Security Delegation No. 0170.1, paragraph (92)(f). ¹¹ 79 FR 12084 (Mar. 4, 2014).

¹² The case is St. Lawrence Seaway Pilots Association, Inc., et al., v. United States Coast Guard, Civil Action No. 14-cv-392 (TSC), (D.D.C. March 27, 2015).

¹³ 5 U.S.C. 551 et seq.

brief the appropriate remedy, recognizing that the normal remedy of vacating and remanding the 2014 rule would be counterproductive because the 2013 rates are lower than the rates set in the 2014 rule. Given that the usual remedies are impractical, the parties have discussed a remedy that advances the effective date for 2015 rates set in our 2015 final rule. ¹⁴

V. Good Cause

The Coast Guard is advancing the August 1, 2015 effective date of the 2015 final rule without following the usual APA procedures for prior notice and public opportunity to comment, and for thirty days to elapse between publication of a rule and the effective date of that rule. Under 5 U.S.C. 553(b)(3)(B) and 5 U.S.C. 553(d), the Coast Guard finds that it has good cause to depart from these procedures because to follow those procedures would be impracticable and contrary to public interest.

Standard APA procedures would require publishing a notice of proposed rulemaking, taking and considering public comments on that notice, publishing a second document actually advancing the effective date, and then waiting thirty days before that advancement could take effect. However, effective implementation of the remedy depends on acting as soon as practicable to advance the current August 1, 2015 effective date for the 2015 rates. The effectiveness of the remedy is reduced by each day that advancement of the effective date is delayed, thereby leaving the 2014 rates invalidated

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¹⁴ Under this final rule, some vessels will pay higher rates prior to August 1, 2015 than they otherwise would have under the 2014 final rule. Note, however, that Canadian rates for 2015 took effect upon the opening of the shipping season in early spring 2015 and are higher than 2014 Canadian rates. Vessels are assigned either a U.S. or a Canadian pilot when they enter the Great Lakes, and therefore cannot know in advance whether they will be subject to U.S. or Canadian rates. With advancement of the 2015 effective date, henceforth all vessels will pay 2015 rates regardless of whether they are assigned a U.S. or Canadian pilot, rather than a 2014 rate if assigned a U.S. pilot and a 2015 rate if assigned a Canadian pilot.

by the court in place and reducing the additional compensation that the pilots receive from advancement. Delay in order to follow standard APA notice-and-comment rulemaking procedures is therefore impracticable, because any delay would largely, if not wholly, defeat the remedy's purpose.¹⁵

Delaying the implementation of this rule to follow standard APA notice-and-comment rulemaking procedures is also contrary to public interest. The Coast Guard is statutorily required to set Great Lakes pilotage rates "giving consideration to the public interest and the costs of providing services." The Coast Guard's goal in setting pilotage rates is to serve the public interest in assuring "safe, efficient, and reliable" pilotage service on the Great Lakes. The court has accepted the pilot associations' argument that the 2014 rates inadequately compensate them for the cost of providing service.

Inadequate compensation reduces the funds that the plaintiff pilot associations need to provide safe, efficient, and reliable pilotage, because it weakens their ability to operate, attract and retain qualified pilots, and maintain pilot boats and other infrastructure, all of which are essential to providing current and future pilotage services. The intended effect of the remedy of advancing the effective date of the 2015 rates is to mitigate the impact of the inadequate compensation provided by the invalidated 2014 rates. Therefore any delay in implementing the remedy, diminishes the Coast Guard's ability to mitigate the

¹⁵ Good cause is "...appropriately invoked when the timing and disclosure requirements of the usual procedures would defeat the purpose of the proposal." *Mack Trucks, Inc. v. EPA,* 682 F.3d 87, 95 (D.C. Cir. 2012). A good cause "impracticability" finding may be upheld where quick action is needed to fulfill the goal of a court-ordered deadline. *Asiana Airlines,* 134 F.3d 393, 398 (D.C. Cir. 1998). ¹⁶ 46 U.S.C. 9303(f).

¹⁷ See 80 FR 10365 (Feb. 26, 2015).

inadequate compensation of the 2014 rates and would harm the public interest in assuring safe, efficient, and reliable pilotage.¹⁸

VI. Regulatory Analyses

We developed this rule after considering numerous statutes and E.O.s related to rulemaking. Below we summarize our analyses based on these statutes or E.O.s.

A. Regulatory Planning and Review

Executive Orders 12866, Regulatory Planning and Review, and 13563, Improving Regulation and Regulatory Review, direct agencies to assess the costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility.

This rule is not a significant regulatory action under section 3(f) of E.O. 12866 as supplemented by E.O. 13563. The Office of Management and Budget (OMB) has not reviewed it under E.O. 12866.

Below is our analysis of the costs and benefits of the rule; this analysis assists in ascertaining the probable impacts of this rule on industry. The Coast Guard is advancing the effective date for the February 26, 2015 final rule adjusting rates for pilotage services on the Great Lakes in accordance with a full ratemaking procedure. The rate adjustments made by the February 2015 final rule are unchanged, but instead of taking effect on August 1, 2015, the rates will take effect [INSERT DATE 7 DAYS AFTER DATE OF

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¹⁸ See Mack Trucks, Inc. v. EPA, 682 F.3d 87, 95 (D.C. Cir. 2012); Asiana Airlines, 134 F.3d 393, 398 (D.C. Cir. 1998).

PUBLICATION IN THE FEDERAL REGISTER]. We estimate that shippers will experience an increase in payments of approximately \$283,761 across all three districts as a result of this rulemaking.

A regulatory assessment follows.

The Coast Guard is advancing the effective date of the final rule published on February 26, 2015, which established new base 2015 pilotage rates. This action leads to an increase in the cost per unit of service to shippers in all three districts for the additional period that the 2015 rates will be in effect. The calculations of the rates in the 2014 ratemaking¹⁹ and the 2015 ratemaking²⁰ remain unchanged. The shippers affected by these rate adjustments are those owners and operators of domestic vessels operating on register (employed in foreign trade) and owners and operators of foreign vessels on a route within the Great Lakes system. These owners and operators must have pilots or pilotage service as required by 46 U.S.C. 9302. There is no minimum tonnage limit or exemption for these vessels. The statute applies only to commercial vessels and not to recreational vessels.

Owners and operators of other vessels that are not affected by this final rule, such as recreational boats and vessels operating only within the Great Lakes system, may elect to purchase pilotage services. However, this election is voluntary and does not affect our calculation of the rate and is not a part of our estimated national cost to shippers.

We used 2011-2013 vessel arrival data from the Coast Guard's Marine Information for Safety and Law Enforcement (MISLE) system to estimate the average annual number of vessels affected by the rate adjustment. Using that period, we found

¹⁹ 79 FR 12084 (Mar. 4, 2014). ²⁰ 80 FR 10365 (Feb. 26, 2015).

that approximately 114 different vessels journeyed into the Great Lakes system annually. These vessels entered the Great Lakes by transiting at least one of the three pilotage districts before leaving the Great Lakes system. These vessels often made more than one distinct stop, docking, loading, and unloading at facilities in Great Lakes ports. Of the total trips for the 114 vessels, there were approximately 353 annual U.S. port arrivals before the vessels left the Great Lakes system, based on 2011-2013 vessel data from MISLE.

We estimate the additional impact (cost increases) of the rate adjustment in this rule to be the difference between the 2014 and 2015 pilotage rates, multiplied by the additional bridge hours resulting from advancing the 2015 rate effective date. For this analysis, we assumed the earliest practicable effective date the 2015 rates could be advanced to is June 1, 2015. This would add an additional two months of bridge hours from the August 1, 2015 effective date set in the February 26, 2015 final rule. Table 1 details the additional cost increases by area and district as a result of this rulemaking.

Table 1: Impact of the rule by area and district (\$U.S.; Non-discounted)

<u>Area</u>	2014 Pilotage Rate ²¹	2015 Pilotage Rate ²²	2014 Total Bridge Hours ²³	Difference in 2014 and 2015 Rates	Additional Bridge Hours (June and July 2015) ²⁴	Total Cost
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²¹ 2014 rates are from 2014 final rule, "Great Lakes Pilotage Rates—2014 Annual Review and Adjustment", 79 FR 12084 (Mar. 4, 2014).

²² 2015 rates are from 2015 final rule, "Great Lakes Pilotage Rates - 2015 Annual Review and Adjustment", 80 FR 10365 (Feb. 26, 2015).

²³ Bridge hours are from 2015 final rule, "Great Lakes Pilotage Rates - 2015 Annual Review and Adjustment", 80 FR 10365 (Feb. 26, 2015).

²⁴ Bridge hours were calculated by dividing the 2014 bridge hours by the number of months in the shipping season (nine), and then multiplying by two months.

Area 1	\$472.50	\$519.74	5,116	\$47.24	1,137	\$53,707
Area 2	\$291.96	\$321.15	5,429	\$29.19	1,206	\$35,216
Total, District						
One	-	-	-	-	-	\$88,923
Area 4	\$210.40	\$231.44	5,814	\$21.04	1,292	\$27,184
Area 5	\$521.64	\$573.80	5,052	\$52.16	1,123	\$58,558
Total, District						
Two	-	-	-	-	-	\$85,742
Area 6	\$204.95	\$225.45	9,611	\$20.50	2,136	\$43,783
Area 7	\$495.01	\$544.52	3,023	\$49.51	672	\$33,260
Area 8	\$191.34	\$210.47	7,540	\$19.13	1,676	\$32,053
Total, District						
<u>Three</u>	-	-	-	-	-	\$109,097
System						
<u>Total</u>	_	-	-	-	1	\$283,761

^{*}Some values may not total due to rounding.

We estimate that shippers will experience an increase in payments of approximately \$283,761 across all three districts as a result of this rulemaking. The resulting increase in costs is the change in payments from shippers to pilots from advancing the effective date of the 2015 rates. This figure is equivalent to the total additional payments that shippers would incur for pilotage services. This figure, however, is dependent on a June 1, 2015 effective date for this rulemaking. Any delays in the effective date will result in a lower cost impact to the shippers.

To calculate an exact cost per vessel is difficult because of the variation in vessel types, routes, port arrivals, commodity carriage, time of season, conditions during navigation, and preferences for the extent of pilotage services on designated and undesignated portions of the Great Lakes system. Some owners and operators would pay more and some would pay less, depending on the distance and the number of port arrivals of their vessels' trips.

This rulemaking provides the pilots with additional compensation that will partially offset revenue losses due to the lower 2014 rates, during the months when those rates would otherwise remain in effect. This rulemaking helps assure safe, efficient, and reliable pilotage by increasing the pilot compensation that is artificially low due to the the 2014 rates invalidated by the court.

B. Small Entities

In accordance with the Regulatory Flexibility Act (5 U.S.C. 601-612), rules that are exempt from APA notice and comment requirements are also exempt from the Regulatory Flexibility Act requirements when the agency for good cause finds that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest. As discussed previously, Coast Guard for good cause finds that notice and comment are impracticable and contrary to public interest. Consequently, no regulatory flexibility analysis is required.

C. Assistance for Small Entities

Under section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996 (Public Law 104-121), we offered to assist small entities in understanding this rule so that they can better evaluate its effects on them and participate in the rulemaking. The Coast Guard will not retaliate against small entities that question or complain about this rule or any policy or action of the Coast Guard.

Small businesses may send comments on the actions of Federal employees who enforce, or otherwise determine compliance with, Federal regulations to the Small Business and Agriculture Regulatory Enforcement Ombudsman and the Regional Small Business Regulatory Fairness Boards. The Ombudsman evaluates these actions annually

and rates each agency's responsiveness to small business. If you wish to comment on actions by employees of the Coast Guard, call 1-888-REG-FAIR (1-888-734-3247).

D. Collection of Information

This rule calls for no new collection of information under the Paperwork Reduction Act of 1995, 44 U.S.C. 3501-3520. This rule does not change the burden in the collection currently approved by the OMB under Control Number 1625–0086, Great Lakes Pilotage Methodology.

E. Federalism

A rule has implications for federalism under E.O. 13132, Federalism, if it has a substantial direct effect on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. We have analyzed this rule under that order and have determined that it is consistent with the fundamental federalism principles and preemption requirements described in E.O. 13132. Our analysis is explained below.

Congress directed the Coast Guard to establish "rates and charges for pilotage services."

46 U.S.C. 9303(f). This regulation is issued pursuant to that statute and is preemptive of state law as specified in 46 U.S.C. 9306. Under 46 U.S.C. 9306, a "State or political subdivision of a State may not regulate or impose any requirement on pilotage on the Great Lakes."

As a result, States or local governments are expressly prohibited from regulating within

this category. Therefore, this rule is consistent with the principles of federalism and

preemption requirements in E.O. 13132.

Dated: May 20, 2015.

Gary C. Rasicot,

Director, Marine Transportation Systems,

U.S. Coast Guard.

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